

## Rother District Council

**Report to:** Cabinet

**Date:** 7 February 2022

**Title:** Draft Revenue Budget 2022/23

**Report of:** Antony Baden – Chief Finance Officer

**Cabinet Member:** Councillor Dixon

**Ward(s):** All

**Purpose of Report:** To present the draft Revenue Budget 2022/23 for approval

**Decision Type:** Key

### Officer

**Recommendation(s):** **Recommendation to COUNCIL:** That consequent to the deliberations of the Overview and Scrutiny Committee that the:

- 1) level of Special Expenses as set out in Appendix C be approved;
- 2) net expenditure of £16.736m for 2022/23 be approved;
- 3) amount of reserves set out in Appendix D be approved and;
- 4) Council Tax for 2022/23 at Band D be increased by £4.67 (2.47%) and set at £193.38

### Reasons for

**Recommendations:** To approve the draft Revenue Budget 2022/23 and propose the 2022/23 Council Tax and Special Expenses to Council for approval

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## Introduction

1. This report updates Members on the draft Revenue Budget 2022/23 following its consideration at the meeting of the Overview and Scrutiny Committee on the 24 January 2021. The minutes of that meeting (Appendix E) should be read in conjunction with this report. Details of the responses to the budget consultation are also outlined in the report. The report contains the following Appendices:

Appendix A – Revenue Budget Summary  
Appendix B – Detailed Budgets for each service  
Appendix C – Special Expenses  
Appendix D – Earmarked Reserves  
Appendix E – Minutes of the Overview and Scrutiny Committee

## **Government Grant Settlement**

2. At the time of writing the Local Government Finance Settlement is still draft but it is not anticipated that it will change when it is finalised.

## **Council Tax and Referendum Limit**

3. The Council's Medium-Term Financial Strategy relies on increasing locally generated income. Council Tax generates nearly £7.5m of income annually, which is twice as much as net business rates. It is also a relatively stable source of income for the Council and relatively cost effective to collect.
4. The 2022/23 referendum principles allow for an increase for Shire Districts of up to 2% or £5 whichever is the greater. To ensure the Council remains within this limit (after taking account of the increase in Special Expenses), Appendix A assumes an increase of £4.67 (2.47%) to £193.38 at Council Tax Band D.

## **Changes to the Draft Budget**

5. This report is effectively the third and final phase of the budget setting process. The second phase budget was reported to Cabinet on the 10 January 2022 and subsequently considered by Overview and Scrutiny Committee on the 24 January 2022. It has been updated to reflect only minor changes, which are summarised below:
  - a. Minor changes to expenditure budgets – increase of £6,000;
  - b. Collection Fund surplus review – increase of £193,000;
  - c. Special Expenses, transfer Bexhill Town Forum budget to Christmas Lighting – no overall change.
6. A final review of service budgets has resulted in minor increase totalling £6,000. These include a cyclical Housing Needs and Stock review and a reduction in the level of external support to the Planning function.
7. The report to Cabinet in January estimated a Collection Fund deficit of £134,000. Following a review and completion of the council tax and business rates returns to the DLUHC figures, it is now estimated that the Collection Fund will produce a small surplus of £59,000 in 2022/23, which is a net change of £193,000. This is mainly due to an adjustment for bad debt provisions.
8. The Special Expenses budget set out in Appendix C includes a payment of £4,270 to the Bexhill Town Forum, which is no longer used and has therefore been transferred to the Christmas Lighting budget. There is no overall increase in costs.
9. Appendix A summarises the draft Revenue Budget and shows net expenditure at £16.736m for 2022/23, Appendix B shows the detailed budgets by services the Council provides, and Appendix C details the proposed Special Expenses for 2022/23.
10. The five-year financial forecast to 31 March 2027 incorporates the changes outlined in paragraphs 5 to 8 and is included as part of Appendix A.

## Reserves

11. The impact of the above changes means that the Council can reduce its call on Revenue Reserves in 2022/23 by £188,000 to £3.108m. This is reflected in Appendix D.

## Budget Consultation

12. The Council budget and council tax consultation with residents and businesses closed on the 31 January 2022. The full detail and analysis of the consultation will be available to Members separately.

## Conclusion

13. The draft Revenue Budget has been balanced for 2022/23 by the planned use of £3.296m from Reserves. However, this is not a sustainable approach and it is imperative that the Council delivers on key initiatives such as the Financial Stability Programme and Property Investment Strategy, which are aimed at generating additional income and cost savings. Without such action, the financial forecast shows Reserves will be under considerable pressure and will fall below acceptable levels over the next five years. This also increases the Council's vulnerability to being able to cope with unexpected cost increases.
14. There are other dependencies and uncertainties within the budget forecast, in particular the risks around the impact of the Fair Funding Review and the income from business rates. Delivering a sustainable future for the Council remains challenging if the Council is to maintain delivery of essential services to the public.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	Yes
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

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Appendices:	Appendix A - 2021/22 Revenue Budget Summary and Five-Year Forecast Appendix B - Revenue Budget Summary - Cost of Services Appendix C – Special Expenses Appendix D - Revenue Reserves Appendix E - Minutes of the Overview and Scrutiny Committee
Relevant Previous Minutes:	None
Background Papers:	Local Government Settlement 2022/23
Reference Documents:	None

## Revenue Budget 2022/23 and Forecast to 2026/27

	Original 2021/22  Budget £ (000)	Revised 2021/22  Budget £ (000)	Projected 2021/22  Outturn at Qtr 2 £ (000)	2022/23  Budget £ (000)	2023/24  Budget £ (000)	2024/25  Budget £ (000)	2025/26  Budget £ (000)	2026/27  Budget £ (000)
Corporate Core	2,034	2,028	2,022	2,173	2,028	2,028	2,028	2,028
Environmental Services	658	609	522	629	611	611	611	611
Strategy and Planning	1,090	1,043	1,780	1,325	1,043	1,043	1,043	1,043
Acquisitions, Transformation and Regeneration	(297)	127	(378)	(16)	(835)	(1,518)	(1,862)	(1,916)
Housing and Community Services	8,739	8,186	8,665	8,211	7,938	7,938	7,938	7,938
Resources	3,350	3,293	3,509	3,307	3,295	3,295	3,295	3,295
<b>Total Cost of Services</b>	<b>15,574</b>	<b>15,286</b>	<b>16,120</b>	<b>15,629</b>	<b>14,081</b>	<b>13,397</b>	<b>13,054</b>	<b>12,999</b>
Net Financing Costs	1,101	1,101	278	1,542	1,550	1,558	1,566	1,552
Salaries turnover & Inflation	(288)	0	0	0	40	40	47	47
Financial Stability Programme - Savings and Income generation	(632)	(632)	(158)	(635)	(2,137)	(2,197)	(2,197)	(2,197)
Budget Contingency	0	0	0	200	0	0	0	0
<b>Net Cost of Services</b>	<b>15,755</b>	<b>15,755</b>	<b>16,240</b>	<b>16,736</b>	<b>13,534</b>	<b>12,798</b>	<b>12,469</b>	<b>12,401</b>

	Original 2021/22  Budget £ (000)	Revised 2021/22  Budget £ (000)	Projected 2021/22  Qtr 2 £ (000)	2022/23  Budget £ (000)	2023/24  Budget £ (000)	2024/25  Budget £ (000)	2025/26  Budget £ (000)	2026/27  Budget £ (000)
<b>Income</b>								
Special Expenses	(692)	(692)	(692)	(702)	0	0	0	0
Business Rates & Section 31 Grants	(3,747)	(3,747)	(3,747)	(3,747)	(3,747)	(3,747)	(3,747)	(3,747)
Non-Specific Revenue Grants	(1,653)	(1,653)	(2,045)	(1,650)	(934)	(956)	(979)	(1,003)
Council Tax Requirement (Rother only)	(7,097)	(7,097)	(7,097)	(7,470)	(7,759)	(8,086)	(8,414)	(8,741)
<b>Other Financing</b>								
Collection Fund (Surplus)/Deficit	134	134	134	(59)	134	134	0	0
<b>Total Income</b>	<b>(13,054)</b>	<b>(13,054)</b>	<b>(13,447)</b>	<b>(13,628)</b>	<b>(12,306)</b>	<b>(12,656)</b>	<b>(13,140)</b>	<b>(13,491)</b>
<b>Contribution from Reserves/Funding Gap</b>	<b>2,700</b>	<b>2,700</b>	<b>2,793</b>	<b>3,108</b>	<b>1,229</b>	<b>142</b>	<b>(671)</b>	<b>(1,090)</b>

Revenue Budget Summary - Cost of Services	Revised Budget 2021/22	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Acquisition, Transformation and Regeneration	124,495	2,345,470	(2,361,960)	(16,490)
Environmental Services, Licensing and Community Safety	608,210	2,682,280	(2,053,060)	629,220
Corporate Core	2,027,940	2,199,610	(26,740)	2,172,870
Housing and Community	8,189,635	12,601,680	(4,390,250)	8,211,430
Resources	3,292,410	22,623,845	(19,316,750)	3,307,095
Strategy and Planning	1,042,720	2,318,940	(994,000)	1,324,940
<b>Total</b>	<b>15,285,410</b>	<b>44,771,825</b>	<b>(29,142,760)</b>	<b>15,629,065</b>

## Appendix B Cont'd

	Revised Budget 2021/22	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
<b>Acquisitions, Transformation and Regeneration</b>				
	£	£	£	£
Economic Development and Regeneration	(1,049,215)	1,022,880	(2,288,070)	(1,265,190)
De La Warr Pavilion Client	485,890	488,500		488,500
Programme and Policy Office	235,920	281,790		281,790
Transformation	309,540	345,560	(20,000)	325,560
Director of Place and Climate Change	142,360	206,740	(53,890)	152,850
<b>Total</b>	<b>124,495</b>	<b>2,345,470</b>	<b>(2,361,960)</b>	<b>(16,490)</b>

	Revised Budget 2021/21	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
<b>Environmental Services, Licensing and Community Safety</b>				
	£	£	£	£
Food and Safety	269,330	1,064,950	(800,020)	264,930
Licensing	2,690	801,840	(769,960)	31,880
Pollution	327,000	801,890	(483,080)	318,810
Head of Service	9,190	13,600		13,600
<b>Total</b>	<b>608,210</b>	<b>2,682,280</b>	<b>(2,053,060)</b>	<b>629,220</b>

## Appendix B Cont'd

	Revised Budget 2021/22	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
<b>Corporate Core</b>				
	£	£	£	£
Chief Executive Office	229,600	364,900		364,900
Communications	51,490	51,660		51,660
Democratic and Electoral Services	617,030	618,770		618,770
Emergency Planning	31,720	32,670		32,670
Facilities	391,560	378,730		378,730
Human Resources	289,930	331,170	(26,740)	304,430
Internal Audit	151,010	155,740		155,740
Legal Services	265,600	265,970		265,970
<b>Total</b>	<b>2,027,940</b>	<b>2,199,610</b>	<b>(26,740)</b>	<b>2,172,870</b>

	Revised Budget 2021/22	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
<b>Housing and Community</b>				
	£	£	£	£
Customer Services	527,280	486,460		486,460
Housing	1,749,280	2,837,740	(1,068,560)	1,769,180
Neighbourhood Services and Contracts	5,570,475	8,909,770	(3,321,690)	5,588,080
Property and Maintenance Services	250,850	274,650		274,650
Head of Service	91,750	93,060		93,060
<b>Total</b>	<b>8,189,635</b>	<b>12,601,680</b>	<b>(4,390,250)</b>	<b>8,211,430</b>

## Appendix B Cont'd

Resources	Revised Budget 2021/22	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Financial Services	1,631,870	1,670,825	(9,060)	1,661,765
Information Communication Technology	912,730	1,035,680	(60,000)	975,680
Revenues and Benefits	633,040	19,916,460	(19,247,690)	668,770
Assistant Director, Resources	114,770	880		880
<b>Total</b>	<b>3,292,410</b>	<b>22,623,845</b>	<b>(19,316,750)</b>	<b>3,307,095</b>

Strategy and Planning	Revised Budget 2021/22	Budget 2022/23		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Building Control	56,540	56,910		56,910
Business Support and Land Charges	131,530	326,000	(194,000)	132,000
Development Management	163,460	1,282,440	(760,000)	522,440
Enforcement	115,000	115,740		115,740
Planning Strategy	477,860	529,510	(40,000)	489,510
Head of Service	98,330	8,340		8,340
<b>Total</b>	<b>1,042,720</b>	<b>2,318,940</b>	<b>(994,000)</b>	<b>1,324,940</b>



**Special Expenses 2022/23**

	<b>2021/22</b>	<b>2022/23</b>
	<b>£</b>	<b>£</b>
<b>Bexhill</b>		
Bexhill Parks	587,510	596,320
Bexhill Allotments	0	0
Christmas Lighting	15,000	19,500
Bexhill Museum	9,540	9,680
Bus Shelters	11,780	11,960
Bexhill Town Forum	4,270	0
<b>Special Expenses for Bexhill</b>	<b>628,100</b>	<b>637,460</b>
<b>Rye</b>		
Rye Parks and Games	61,100	62,020
Christmas Lighting	1,500	1,500
Rye Museum	640	640
Bus Shelters	270	270
<b>Special Expenses for Rye</b>	<b>63,510</b>	<b>64,430</b>
<b>Total Special Expenses (excl. Parish Precepts)</b>	<b>691,610</b>	<b>701,890</b>

## REVENUE RESERVES

	Quarter 2 2021/22 Forecast £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	2026/27 Budget £ (000)
Earmarked Reserves and General Reserves - Opening Balance	13,209	9,814	6,331	4,917	4,588	5,128
Use of Reserves	(3,395)	(3,482)	(1,415)	(329)	0	0
Contribution to Reserves	0	0	0	0	541	960
<b>Total Reserves</b>	<b>9,814</b>	<b>6,331</b>	<b>4,917</b>	<b>4,588</b>	<b>5,128</b>	<b>6,089</b>
<b><u>Use of/Contribution to Reserves</u></b>						
To balance the Revenue Budget	(2,793)	(3,108)	(1,229)	(142)	671	1,090
To fund Capital Expenditure	(602)	(374)	(186)	(187)	(130)	(130)
<b>Total</b>	<b>(3,395)</b>	<b>(3,482)</b>	<b>(1,415)</b>	<b>(329)</b>	<b>541</b>	<b>960</b>

**Minutes of the Overview and Scrutiny Meeting – 24 January 2022****OSC21/46. DRAFT REVENUE BUDGET 2022/23 PROPOSALS**

Members gave consideration to the report of the Chief Finance Officer on the draft Revenue Budget, which outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. The Committee had been requested to consider the draft budget and make recommendations to Cabinet, to be considered at its meeting on 7 February 2022.

The report updated Members on the second phase of the budget setting process. Appended to the report were details of the summary draft Revenue Budget (Appendix A), the summary information for each service area (Appendix B), main changes in net cost of services between 2021/22 and 2022/23 (Appendix C) and the Council's revenue reserves (Appendix D).

The following assumptions had been made in calculating the draft Revenue Budget:

- inflation of between 1.8% and 2% had been applied except for contracts where specific indices were applied;
- salaries had been assumed to increase by 1% from September 2022;
- the use of transfers between existing budgets had been applied enabling funding to be re-directed into priority areas; and
- increased income in line with increases agreed by Cabinet on 9 November 2021.

The following key issues were highlighted:

- the draft Local Government Finance Settlement announced by the Government in December applied to 2022/23 only and did not guarantee any future funding streams; the Council's Core Spending Power (what the Government believes the Council requires to fund services across the district) had been set at £11.4m, an increase of £0.7m from 2021/22;
- an additional £738,000 in various one-off grants and New Homes Bonus that had not been expected had been announced; the Government had stated a commitment to address these grants (with the exception of the Services Grant of £164,000) going forward as part of its Fair Funding Review;
- the East Sussex Business Rates Pool for 2022/23 would be retained;
- the 2022/23 council tax base had been calculated at 38,626.8 and showed an increase of 1,020 Band D equivalents mostly due to an increase in chargeable dwellings, new developments and reduction in Council Tax Reduction Scheme claimants;
- the council tax referendum principle for Rother would allow an increase in council tax of £5 or 2% whichever was the highest; it had been assumed that the Council would increase council tax by the maximum allowed before a referendum was required;
- for 2022/23, to ensure the Council remained within the referendum limit, it was assumed that an increase of £4.67 to £193.38 would be

agreed for a Band D property, resulting in additional income of £373,000;

- it would be essential to deliver the savings identified as part of the Financial Stability Programme (FSP), or risk the increased use of reserves, cutting statutory services and stop providing some non-statutory services altogether; and
- £3.670m of reserves would be used in order to meet specific costs (capital and service expenditure).

The cost pressures that may affect the Council's finances were highlighted within the report and these included homelessness demands, planning appeals, staffing costs, non-pay inflation and the continued impact of COVID-19.

It was proposed to establish a budget contingency of £200,000 for 2022/23 to be controlled by the Chief Finance Officer in consultation with the Chief Executive and used to fund large unexpected events that had not been included in the 2022/23 i.e. further significant inflation increases, judicial reviews and emergency building maintenance works.

The budget consultation was currently on-going and due to close on 31 January 2022. Responses would be reviewed and reported to Cabinet on 7 February 2022.

Members had an opportunity to put forward questions and the following points were noted during the discussion:

- in order to prevent reserves falling below £5m, Members agreed that further properties should be acquired through the Property Investment Strategy (PIS);
- the homelessness budget was difficult to predict and often resulted in an overspend. Members agreed that further properties for use as Temporary Accommodation be acquired rather than using B&Bs. To date, only half of the allocated budget had been spent;
- in order to make savings, Members agreed that the consideration of services to be transferred to the Bexhill Town Council was required; and
- the waste contract had resulted in an extra £1m per year and was increasing by a further 5%.

The Council's ability to deliver a balanced budget was dependent on strong financial management and the successful delivery of the FSP. Failure to do so would impact on the Council's ability to meet its statutory obligations.

**RESOLVED:** That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2022/23 Draft Revenue Budget at its meeting on 7 February 2022.

(Overview and Scrutiny Committee Agenda Item 7).